

## 23.01 Research Task Format

Research is tested in its own independent task-based simulation problem. Each FAR exam will include at least one Research type TBS. The Candidate will be asked to search through the database to find an appropriate reference that addresses the issue presented in the research problem. A scenario is presented in which the candidate must find the answer in the authoritative literature using a pre-determined list of codes. You will be provided with a searchable database containing the FASB Accounting Standards Codification™ (ASC) for this purpose. The candidate will choose the appropriate code title from the drop-down list and then enter a specific reference number applicable to their given scenario.

Using the Authoritative Literature tab, the candidate will search for keywords associated with the question using the search box, which will pull up all references within the literature to those keywords. From there, the candidate should use the "search within" function to find specific instances of keywords within each subsection. Keywords will be highlighted in the text and the candidate can go through them to find the relevant text that answers the research problem.

Research questions will also alert the candidate if they have correctly formatted their answer by displaying "Your response is correctly formatted" in a box below the candidate response if the candidate has entered reference numbers correctly. For example, single-digit reference numbers (such as "paragraph 3") may be formatted as a two-digit response (such as "paragraph "03"). A good tool is to also use the "Research" tab to look up answers to other TBS in the exam; for example, if a TBS asks you about a particular Financial Statement, use the Research tab to assist you in solving this TBS.

The FASB Accounting Standards Codification™ (FASB ASC) is a complete reorganization of all of the separate U.S. Generally Accepted Accounting Principles (GAAP) standards into one topically structured body of authoritative guidance.

FASB ASC is the sole source of authoritative U.S. accounting and reporting standards for all nongovernmental entities, superseding all existing non-SEC accounting and reporting standards. The FASB ASC did not materially change any existing principles, but it will require financial professionals to familiarize themselves with the new organization and numbering system of the new codified standards.

### Suggested Approach

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When performing a research question on FAR, the first step will be to determine the area from the FASB Codification in which the item is most likely covered. The areas to choose from are:

- 100s – General Principles – It is very unlikely that this area will be selected. There is only one topic in this area, Generally Accepted Accounting Principles, which designates the ASC as the only authoritative source of GAAP.
- 200s – Presentation – This area will be selected if the question relates to the actual presentation of information on one of the F/S. It does not address how items are to be accounted for or how amounts are to be determined. Within the area, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will

be subtopic 10, "Overall". Determine if one of the subtopics other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Presentation area include the following:

- 205 Presentation of Financial Statements
  - 205-20 Discontinued Operations
  - 205-30 Liquidation Basis of Accounting
  - 205-40 Going Concern
- 210 Balance Sheet
  - 210-20 Offsetting
- 215 Statement of Shareholder Equity
- 220 Comprehensive Income
- 225 Income Statement
  - 225-20 Unusual Items
  - 225-30 Business Interruption Insurance
- 230 Statement of Cash Flows
- 235 Notes to Financial Statements
- 250 Accounting Changes and Error Corrections
- 255 Changing Prices
- 260 Earnings per Share
- 270 Interim Reporting
- 272 Limited Liability Entities
- 274 Personal Financial Statements
- 275 Risks and Uncertainties
- 280 Segment Reporting

**300s – Assets** – This area will be selected if the question relates to the reporting of an asset. It may involve determining whether or not it will be reported on the financial statements, the amount at which it will be reported, the accounting for the asset while it is being held or for its disposal, or related disclosures. Within the area, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will be subtopic 10, "Overall". Determine if one of the subtopics, other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Assets area include the following:

- 305 Cash and Cash Equivalents
- 310 Receivables
  - 310-20 Nonrefundable Fees and Other Costs
  - 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality

- 310-40 Troubled Debt Restructurings by Creditors
- 320 Investments – Debt and Equity Securities
- 321 Investments – Equity Securities
- 323 Investments – Equity Method and Joint Ventures
- 323-30 Partnerships, Joint Ventures, and Limited Liability Entities
- 325 Investments – Other
- 325-20 Cost method investments
- 325-30 Investments in Insurance Contracts
- 325-40 Beneficial Interests in Securitized Financial Assets
- 326 Financial instrument – Credit losses
- 330 Inventories
- 340 Other Assets and Deferred Costs
- 340-20 Capitalized Advertising Costs
- 340-30 Insurance Contracts That Do Not Transfer Insurance Risk
- 340-40 Contracts with Customers
- 350 Intangibles – Goodwill and Other
- 350-20 Goodwill
- 350-30 General Intangibles Other Than Goodwill
- 350-40 Internal Use Software
- 350-50 Website Development Costs
- 360 Property, Plant, and Equipment
- 360-20 Real Estate Sales

**400s – Liabilities** – This area will be selected if the question relates to the reporting of a liability. It may involve determining whether or not it will be reported on the financial statements, the amount at which it will be reported, the accounting for it while it is owed, its settlement, or related disclosures. Within the area, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will be subtopic 10, "Overall". Determine if one of the subtopics, other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Liabilities area include the following:

- 405 Liabilities
- 405-20 Extinguishment of Liabilities
- 405-30 Insurance Related Assessments
- 405-40 Obligations Resulting from Joint and Several Liability Arrangements
- 410 Asset Retirement and Environmental Obligations
- 410-20 Asset Retirement Obligations
- 410-30 Environmental Obligations
- 420 Exit or Disposal Cost Obligations

- 430 Deferred Revenue
- 440 Commitments
- 450 Contingencies
  - 450-20 Loss Contingencies
  - 450-30 Gain Contingencies
- 460 Guarantees
- 470 Debt
  - 470-20 Debt with Conversion and Other Options
  - 470-30 Participating Mortgage Loans
  - 470-40 Product Financing Arrangements
  - 470-50 Modifications and Extinguishments
  - 470-60 Troubled Debt Restructurings by Debtors
- 480 Distinguishing Liabilities from Equity

**500s – Equity** – This area will be selected if the question relates to the reporting of equity. It may involve determining whether or not it will be reported on the F/S, the amount at which it will be reported, the accounting for equity transactions, distributions, or related disclosures. Within the area, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will be subtopic 10, "Overall". Determine if one of the subtopics, other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Equity area include the following:

- 505 Equity
  - 505-20 Stock Dividends and Stock Splits
  - 505-30 Treasury Stock
  - 505-50 Equity-Based Payments to Non-Employees
  - 505-60 Spinoffs and Reverse Spinoffs

**600s – Revenue** – This area will be selected if the question relates to the recognition of revenue. It may involve determining whether or not it will be reported on the F/S in a given period, the amount that will be recognized, the accounting for deferred revenue, accounting for revenue recognized over time, or related disclosures. Within the area, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will be subtopic 10, "Overall". Determine if one of the subtopics, other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Revenue area include the following:

- 606 Revenue from Contracts with Customers
- 610 Other Income
  - 610-20 Gains and Losses from the Derecognition of Nonfinancial Assets

## 610-30 Gains and Losses on Involuntary Conversions

700s – Expenses – This area will be selected if the question relates to the reporting of expenses. It may involve determining whether or not an expense will be recognized, the period in which it will be recognized, the amount that will be reported, the classification of the expense, or related disclosures. Within the area, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will be subtopic 10, "Overall". Determine if one of the subtopics, other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Expenses area include the following:

- 705 Cost of Sales and Services
- 705-20 Accounting for Consideration
- 710 Compensation - General
- 712 Compensation – Nonretirement Postemployment Benefits
- 715 Compensation – Retirement Benefits
- 715-20 Defined Benefit Plans – General
- 715-30 Defined Benefit Plans Pension
- 715-60 Defined Benefit Plans – Other Postretirement
- 715-70 Defined Contribution Plans
- 715-80 Multiemployer Plans
- 718 Compensation – Stock Compensation
- 718-20 Awards Classified as Equity
- 718-30 Awards Classified as Liabilities
- 718-40 Employee Stock Ownership Plans
- 718-50 Employer Share Purchase Plans
- 720 Other Expenses
- 720-15 Start-up Costs
- 720-20 Insurance Costs
- 720-25 Contributions Made
- 720-30 Real and Personal Property Taxes
- 720-35 Advertising Costs
- 720-40 Electronic Equipment Waste Obligations
- 720-50 Fees Paid to the Federal Government by Pharmaceutical Manufacturers and Health Insurers
- 730 Research and Development
- 730-20 Research and Development Arrangements
- 740 Income Taxes
- 740-20 Intraperiod Tax Allocation
- 740-30 Other Considerations or Special Areas

**800s – Broad Transactions** – This area will be selected if the question relates to an area that affects more than one financial statement, more than one asset, liability, equity, revenue, or expense account, or some combination. When transactions affect more than one area, such as leases, business combinations, or nonmonetary transactions, it is treated as a separate topic with its effects on other topics referenced. Within the area, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will be subtopic 10, "Overall". Determine if one of the subtopics, other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Broad Transactions area include the following:

- 805 Business Combinations
  - 805-20 Identifiable Assets and Liabilities, and Any Noncontrolling Interest
  - 805-30 Goodwill or Gain from Bargain Purchase, Including Consideration Transferred
  - 805-40 Reverse Acquisitions
  - 805-50 Related Issues
- 808 Collaborative Arrangements
- 810 Consolidation
  - 810-20 Control of Partnerships and Similar Entities
  - 810-30 Research and Development Arrangements
- 815 Derivatives and Hedging
  - 815-15 Embedded Derivatives
  - 815-20 Hedging – General
  - 815-25 Fair Value Hedges
  - 815-30 Cash Flow Hedges
  - 815-35 New Investment Hedges
  - 815-40 Contracts in entity's Own Equity
  - 815-45 Weather Derivatives
- 820 Fair Value Measurement
- 825 Financial Instruments
  - 825-20 Registration Payment Arrangements
- 830 Foreign Currency Matters
  - 830-20 Foreign Currency Transactions
  - 830-30 Translation of Financial Statements
- 835 Interest
  - 835-20 Capitalization of Interest
  - 835-30 Imputation of Interest
- 842 Leases
  - 842-20 Lessee

842-30 Lessor

842-40 Sale and Leaseback Transactions

- 845 Nonmonetary Transactions

- 850 Related Party Disclosures

- 852 Reorganizations

852-20 Quasi-Reorganizations

- 853 Service Concession Arrangements

- 855 Subsequent Events

- 860 Transfers and Servicing

860-20 Sales of Financial Assets

860-30 Secured Borrowing and Collateral

860-40 Transfers to Qualifying Special Purpose Entities

860-50 Servicing Assets and Liabilities

**900s – Industry** – This area will be selected if the question relates how an accounting area is treated in a particular industry. When an industry has special principles for the presentation of its F/S, the accounting for an asset, liability, equity, revenue, or expense, the accounting for a broad transaction, or special disclosures, the topic will be selected from within that industry. Within the industry, a specific topic will be selected.

Within that topic, a subtopic is also to be chosen. For some topics, the only subtopic will be subtopic 10, "Overall". Other topics will have two or more subtopics, the first of which will be subtopic 10, "Overall". Determine if one of the subtopics, other than "Overall" appears to more directly relate to the question being asked or the issue being raised. If not, select subtopic 10, "Overall".

Topics and subtopics, excluding "Overall" within the Industry area include the following:

- 905 Agriculture
- 908 Airlines
- 910 Contractors – Construction
  - 910-20 Contract costs
- 912 Contractors – Federal Government
  - 912-20 Contract Costs
- 915 Development Stage Entities
- 920 Entertainment – Broadcasters
- 922 Entertainment – Cable Television
- 924 Entertainment – Casinos
- 926 Entertainment – Films
  - 926-20 Other Assets – Film Costs
- 928 Entertainment – Music
- 930 Extractive Industries – Mining
- 932 Extractive Industries – Oil and Gas
- 940 Financial Services – Brokers and Dealers

940-20 Broker-Dealer Activities

- 942 Financial Services – Depository and Lending
- 944 Financial Services –Insurance
- 944-20 Insurance Activities
- 944-30 Acquisition Costs
- 944-40 Claim Costs and Liabilities for Future Policy Benefits
- 944-50 Policyholder Dividends
- 944-60 Premium Deficiency and Loss Recognition
- 944-80 Separate Accounts
- 946 Financial Services – Investment Companies
- 946-20 Investment Company Activities
- 948 Financial Services – Mortgage Banking
- 950 Financial Services – Plant Title
- 952 Franchisors
- 954 HealthCare Entities
- 958 Not-for-Profit Entities
- 958-20 Financially Interrelated entities
- 958-30 Split-Interest Agreements
- 960 Plan Accounting – Defined Benefit Pension Plans
- 960-20 Accumulated Plan Benefits
- 960-30 Net Assets Available for Plan Benefits
- 960-40 Terminating Plans
- 962 Plan Accounting – Defined Contribution Pension Plans
- 962-40 Terminating Plans
- 965 Plan Accounting – Health and Welfare Benefit Plans
- 965-20 Net Assets Available for Plan Benefits
- 965-30 Plan Benefit Obligations
- 965-40 Terminating Plans
- 970 Real Estate – General
- 972 Real Estate – Common Interest Realty Associations
- 974 Real Estate – Real Estate Investment Trusts
- 976 Real Estate – Retail Land
- 978 Real Estate – Time-Sharing Activities
- 980 Regulated Operations
- 980-20 Discontinuation of Rate Regulated Accounting
- 985 Software
- 985-20 Costs of Software to Be Sold, Leased, or Marketed
- 994 U.S. Steamship Entities

Once the specific topic and subtopic have been selected, the appropriate section should be determined. The sections, which are uniformly numbered within each subtopic, including the "Overall" subtopic, each address a specific aspect to the accounting for the topic, when the subtopic is "Overall" or the subtopic for any other. A section will only appear within a subtopic when it is relevant and, as a result, all sections will not be listed under every subtopic.

The sections are:

- 00 **Status** – This section provides information about the changes that were made to the subtopic, which paragraphs were affected, the source of the change, and the date on which the change was put into the Codification.
- 05 **Overview and Background** – This section provides a general overview and background of the subtopic without summarizing the requirements. It often contains material to enable a user to understand the situations that are typically covered by the standard.
- 10 **Objectives** – This section indicates the high-level objective of the standard, although it does not provide guidance as to the main principle of the standard.
- 15 **Scope and Scope Exceptions** – This section indicates when the guidance does or does not apply including, perhaps, a description of the entities that must or are not required to apply the principles, or the transactions to which it does or does not apply.
- 20 **Glossary** – This section includes definitions of terms that are unique to the principle.
- 25 **Recognition** – This section indicates the circumstances under which an item will appear on the F/S, including the criteria for an item to be recognized, the time at which or period in which it will be recognized, and the location within the F/S where it will appear.
- 30 **Initial Measurement** – This section indicates the amount at which the item will appear on the F/S when it is first recognized.
- 35 **Subsequent Measurement** – This section indicates how a balance sheet item will be accounted for once it is recognized on the F/S. It may indicate, for example, that an item should be amortized or depreciated, adjusted to fair value, adjusted to amortized cost, or tested for impairment.
- 40 **Derecognition** – This section indicates how a balance sheet item will be removed from the F/S once it has been recognized and provides a basis for gain or loss recognition.
- 45 **Other Presentation Matters** – This section provides information about the specific placement or handling of an item on the F/S. Examples may include whether an item is required to be reported as current or noncurrent, the section of the income statement or the statement of cash flows in which it will appear, requirements for a specific description to be used to identify the item on the F/S, or where an item may not appear on the F/S.
- 50 **Disclosure** – This section describes the disclosure requirements for the topic other than those that would be included due to the general disclosure requirements indicated in ASC Topic 235, Notes to F/S.
- 55 **Implementation Guidance and Illustrations** – This section provides guidance as to how to apply the standard in simple and general situations and, when appropriate, provides illustrations. Illustrations may be of F/S or sections thereof, schedules, footnotes, or a description of the methodology for applying the standard.
- 60 **Relationships** – This section provides references to other subtopics that are related to this subtopic and may provide more information that is relevant to it.

65 **Transition and Open Effective Date Information** – This section indicates when changes in principles go into effect and how an entity makes the transition from the outdated standard to the new one.

70 **Grandfathered Guidance** – This section includes principles that do not apply to current transactions but may still apply to the preparation of F/S due to historical transactions, such as the pooling-of-interests method for preparing consolidated F/S.

75 **XBRL Elements** – This section provides coding information required by XBRL, which stands for the Extensible Business Related Language, so that financial information can be appropriately tagged to facilitate financial analysis.

Once the appropriate section has been identified, scroll through that section to find the particular paragraph that provides the information sought.

## Sample Research Question

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Identify the section of professional standards that specifies where cash received from selling available-for-sale debt securities should be disclosed on the statement of cash flows.

FASB ASC

320

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11

**Explanation:** The question applies to the sale of investment securities, indicating that the topic will be Topic 320, Investments – Debt and Equity Securities. The question does not specify a particular industry and the only subtopic under topic 320 is subtopic 10, Overall. The question specifically asks where, on the statement of cash flows, the proceeds from the sale of the securities will appear, which relates to the presentation on the financial statements, indicating section 45, Other Presentation Matters.

Upon scrolling through that section, there is a heading before paragraphs 11-13 indicating “Cash Flow Presentation”. Scanning those paragraphs will reveal that in paragraph 11 it states in the first sentence “Cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities shall be classified as cash flows from investing activities and reported gross for each security classification in the statement of cash flows.”